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SUBJECT: JIANGSU SCHOLARS SEEK CLEARER U.S. POLICIES ON FINANCIAL
CRISIS, AND QUICK EFFICACY OF SAME

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Summary

¶1. (SBU) A desire for greater policy clarity by the United States dominated comments regarding the new U.S. administration by economists and sociologists at the Jiangsu Academy of Social Sciences. Jiangsu's export-dominated economy has suffered more than other parts of China with the global economic downturn, and the researchers hoped U.S. economic stimulus measures would soon show positive results. Nevertheless, they suggested China's leaders may no longer view the United States as a model for economic management. The researchers also expected ongoing but low-intensity frictions over issues like China's foreign exchange regime and product safety and counseled patience on the part of the U.S. in dealing with China. End Summary.

Jiangsu More Tied to U.S. Economy Than Other Provinces

¶2. (SBU) Jiangsu Province has suffered disproportionately from the U.S. economic slowdown, according to Jiangsu Academy of Social Sciences (JSASS) World Economy Institute Director Tian Boping. Meeting with Congenoffs February 13 along with other JSASS researchers, Tian noted the United States had absorbed 30 percent of Jiangsu's exports in recent years, 10 percentage points greater than the national figure. Hence, many in the province have great expectations for the efficacy of the U.S. Government's economic stimulus package as well as concerns over "buy American" provisions in the legislation. He noted Jiangsu to date had not sent any researchers of its own to the United States to examine the U.S. economic situation but did mention a delegation from the Chinese Academy of Social Sciences by China's senior leadership to investigate the crisis.

¶3. (SBU) Tian acknowledged that, in Jiangsu's case, overdependence on exports had become a problem. In 2007, exports equaled 55 percent of the province's GDP. Imports had largely been sourced from Japan, Taiwan, and South Korea with exports flowing primarily to the United States and Europe. As many export industries had relied on labor from outside Jiangsu, however, unemployment was not as serious there as in other provinces. Tian estimated about 18 million migrants from China's interior provinces had been working in Jiangsu.

¶4. (SBU) Uncertainty about the direction of U.S. policy has many Chinese worried, Tian indicated. The implications of such phrases as "We reject as false the choice between our safety and our ideals," in the President's inaugural address are unclear, he said. In Jiangsu, the hope is concrete U.S. policies, particularly the economic stimulus, will take effect quickly, thus helping to stem the decline in the province's own economy. U.S. measures to restart economic growth -- with one policy following another -- had shown little efficacy, Tian observed.

¶5. (SBU) In dealing with China, however, Tian stressed the need for patience. Chinese attitudes on issues ranging from exchange rate flexibility to social acceptance of homosexuality have shown steady movement toward those found in the U.S. and other developed countries. Nevertheless, the recent economic crisis had undermined the faith of many Chinese in the U.S. model. According to Tian, Central Organization Department head and former Jiangsu Communist Party Secretary Li Yuanchao had recommended China begin to study the European Union's experience in economic management as opposed to that of the United States.

Low-intensity Friction Likely to Continue

¶6. (SBU) Institute of International Social Conflict Deputy Director Zhang Wei highlighted President Obama's concerns over the welfare of ordinary Americans as stated in his inaugural address along with the emphasis on the values of patriotism, equality, and common prosperity. He raised the question of where, in light of the massive and sudden drop in U.S. consumer demand, the government can best apply resources to stimulate the economy so as to avoid the prospect of domestic social unrest.

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¶7. (SBU) Regarding U.S.-China relations, Zhang believed the possibility of ongoing "low-intensity conflict" over issues such as China's exchange rate policy, product safety, and other economic issues is high. "Mid-intensity conflict" over access to natural resources and environmental protection was also a possibility. Zhang labeled the issues of Taiwan, Tibet, human rights, and religious freedom as those with the potential to spark "high intensity conflict" between the United States and China. He was comforted that these latter issues had not appeared in any of the top ten foreign policy challenges facing the new administration.

¶8. (SBU) The United States should strengthen market supervision, address growing income inequality, and stress justice in the international community, according to World Economy Institute researcher Li Jie. Li, author of a recent book on U.S. relations with the "BRICs" (Brazil, Russia, India, China), said China welcomes the new U.S. emphasis on listening to other countries concerns as expressed in Vice President Biden's February 7 speech in Germany. The question remains, however, as to how the United States will, in fact, manage its relations with countries such as Russia and China as well as with allied states like Japan and Korea. The substance of cooperation is important, Li noted.

Comment

¶9. (SBU) The common theme among our JSASS interlocutors was the desire for clarity, not only in U.S. policy toward China but in domestic economic policy as well. Although some criticism emerged of U.S. financial regulation, there was also unequivocal acknowledgement of the vulnerability of Jiangsu's economy to a sudden slide in its export markets. So far, the United States is not being held responsible for Jiangsu's economic woes. Hopes remain high that the United States can turn around its declining economy sooner rather than later. How attitudes might shift if those great expectations are not met, however, is an open question.

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